

Message Text

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C O N F I D E N T I A L OTTAWA 2026

E.O. 11652: GDS

TAGS: MILI, CA

SUBJ: LOCKHEED LRPA CONTRACT CANCELLATION

1. SUMMARY: DEFENSE MINISTER RICHARDSON HAS ISSUED A STATEMENT ON THE GOC DECISION TO REJECT THE LOCKHEED LRPA CONTRACT BECAUSE OF THE INABILITY OF LOCKHEED TO PROVIDE FRONT-END FINANCING. HE ASSURED THE OPPOSITION, WHO CALLED FOR HIS RESIGNATION FOR INEPTNESS IN WASTING 34 MILLION DOLLARS, THAT THE GOC WOULD MEET ITS NATO COMMITMENT IN ASW BY REPLACING CURRENT ARGUS AIRCRAFT IN 1980 TIME FRAME BY URGENTLY RENEWING THE SEARCH FOR AN ALTERNATIVE PROGRAM WHICH WOULD INCLUDE LOCKHEED, BOEING, AND THE PHOENIX PROGRAM PROPOSALS. END SUMMARY.

2. MINDEF RICHARDSON ISSUED STATEMENT FOLLOWING QUESTION PERIOD IN COMMONS ON THE GOC DECISION TO REJECT THE LOCKHEED LRPA CONTRACT. HE OPENED BY STATING THE PRIME MINISTER ANNOUNCED YESTERDAY THAT IF THE LOCKHEED COMPANY WAS ABLE TO PROVIDE THE BRIDGE (FRONT-END) FINANCING THEN
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THE GOC WOULD PROCEED WITH THE CONTRACT. FOLLOWING

LAST NIGHT'S CABINET MEETING, MINISTER OF SUPPLY AND SERVICES GOYER MET WITH BILL WILSON OF LOCKHEED AND POSED THAT QUESTION TO HIM. LOCKHEED RESPONDED THAT THEY WERE UNABLE TO PROVIDE THE REQUIRED FINANCING. THE GOVERNMENT'S DECISION THEREFORE WAS TO TERMINATE THE CONTRACT. THE GOVERNMENT HAD SOUGHT FINANCING WITH COMMERCIAL BANKS AND FROM WITHIN ITS OWN FISCAL FRAMEWORK, BUT WAS NOT SUCCESSFUL. THIS REJECTION OF THE LOCKHEED CONTRACT DOES NOT AFFECT THE GOC COMMITMENT TO NATO NOR ITS COMMITMENT TO THE ASW MISSION. THE GOC WILL MEET ITS COMMITMENTS. IN CLOSING, THE MINISTER APPLAUDED THE EFFORTS OF THE USG TO ASSISTING THE GOC IN TRYING TO FIND A MEANS FOR CONCLUDING A SUCCESSFUL CONTRACT.

3. ALLAN MCKINNON, DEFENSE CRITIC FOR PROGRESSIVE CONSERVATIVE PARTY, RESPONDED WITH PREPARED STATEMENT IN WHICH HE CONDEMNED THE GOVERNMENT FOR INEPTNESS IN NOT MEETING ITS LONG-RANGE PATROL AIRCRAFT REQUIREMENTS OR ITS COMMITMENTS TO NATO AND CALLED FOR THE RESIGNATION OF MINDEF RICHARDSON.

4. THE NEW DEMOCRATIC PARTY SPOKESMAN BACKED UP THE CALL FOR RICHARDSON'S RESIGNATION FOR HAVING WASTED \$34 MILLION OF THE TAXPAYER'S MONEY, AND HOPED THAT THE GOVERNMENT WOULD NOW IN ITS GREATER WISDOM CHOOSE THE MOST SENSIBLE AND PRACTICAL ALTERNATIVE WHICH IS TO REFURBISH THE ARGUS AND SUPPLEMENT THEM WITH ABOUT 17 DEHAVILLAND DASH 7 AIRCRAFT. RESPONDING TO QUESTIONS, MINDEF SUPPLEMENTED HIS STATEMENT THAT THE GOVERNMENT'S COURSE OF ACTION NOW WOULD BE TO URGENTLY RESUME THE SEARCH FOR AN ARGUS REPLACEMENT TO BE ACQUIRED IN THE SAME TIME FRAME AS BEFORE, I.E., DELIVERIES IN 1980, AND RE-EXPLORE THE ALTERNATIVES WHICH INCLUDE LOCKHEED, THE BOEING 707, THE PHOENIX PROGRAM (ARGUS PLUS DASH 7), P-3 CHARLIE (OFF THE SHELF), AND ANOTHER VERSION OF A BOEING PROPOSAL WHICH USES A SMALLER AIRCRAFT.

4. RESPONDING TO CRITICISM FOR WASTING \$34 MILLION OF THE TAXPYER'S MONEY, \$12 MILLION FOR CONTRACT PROPOSALS, \$16 MILLION TO LOCKHEED FOR PRODUCTION AIRCRAFT, AND
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\$6 MILLION TO THE PROGRAM OFFICE OVER THE PAST 5-10 YEARS, RICHARDSON REITERATED THAT THE REASON FOR THE FAILURE OF CONTRACT NEGOTIATIONS WAS DUE SIMPLY TO LOCKHEED'S INABILITY TO FINANCE THE PROJECT AND NO OTHER REASON, AND THAT HE WAS NOT RESPONSIBLE FOR THE FINANCIAL CONDITION OF LOCKHEED. ANY OTHER QUESTIONS REGARDING THE CONTRACT SHOULD BE REFERRED TO THE MINISTER OF SUPPLIES AND SERVICES, MR. GOYER, WHO WAS NOT PRESENT.

5. RESPONDING TO QUESTION BY PAT NOWLAN, PC,
"WHAT WILL YOU TELL NATO?", RICHARDSON REPLIED, "WE
WILL REASSURE OUR ALLIES THAT WE ARE FULLY COMMITTED
TO NATO AND THAT WE ARE FULLY COMMITTED TO THE ASW
MISSION AT THE SAME LEVEL OF EFFORT AND IN THE
SAME TIME FRAME AS BEFORE, BUT PERHAPS BY A DIFFERENT
MEANS."

6. RICHARDSON RE-EMPHASIZED SEVERAL TIMES THE SOLE
REASON FOR CONTRACT REJECTION WAS LOCKHEED'S INABILITY
TO FINANCE. HE SEEMED TO BE MAKING CLEAR THAT THE
GOVERNMENT'S DECISION WAS IN NO WAY RELATED TO
SCANDALS ASSOCIATED WITH LOCKHEED. THIS QUESTION WAS
PUT DIRECTLY TO MINISTER GOYER BY WILSON OF LOCKHEED
LAST NIGHT IN TRYING TO SEEK A MEANS OF CONTINUING
THE PROGRAM. HE ASKED GOYER IF THE GOC'S REASON FOR
CANCELLING THE CONTRACT WAS A PREFERENCE NOT TO DO
BUSINESS WITH LOCKHEED. GOYER DID NOT ANSWER THAT
QUESTION ON TWO OCCASIONS BU REITERATED THE GOVERN-
MENT'S POSITION, AND AT THE SAME TIME CONDEMNED THE
INEPTNESS OF THE WAY THE DEFENSE DEPARTMENT WAS HANDLING
ITS BUDGET MATTERS.
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